

**BRIDGE OVER TROUBLED
WATERS, INC.**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2011

BRIDGE OVER TROUBLED WATERS, INC.

Financial Statements

Year Ended June 30, 2011

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REPORT OF INDEPENDENT AUDITORS

Board of Directors
Bridge Over Troubled Waters, Inc.
Boston, Massachusetts

We have audited the accompanying statement of financial position of Bridge Over Troubled Waters, Inc. (a Massachusetts not-for-profit corporation) (the "Organization") as of June 30, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Organization's June 30, 2010 financial statements, in our report dated November 4, 2010, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2010 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

John E. Dahlquist, C.P.A., P.C.
Milton, Massachusetts

November 6, 2011

BRIDGE OVER TROUBLED WATERS, INC.

Statement of Financial Position

June 30, 2011

(with comparative totals for 2010)

	<u>2011</u>	<u>2010</u>
Assets		
Current Assets		
Cash and Cash Equivalents	\$ 1,340,045	\$ 558,292
Accounts Receivable	132,841	117,103
Unconditional Promises to Give	134,116	95,400
Prepaid Expenses and other current assets	<u>49,289</u>	<u>45,677</u>
Total Current Assets	<u>1,656,291</u>	<u>816,472</u>
Property, Plant and Equipment, Net of Accumulated Depreciation	<u>2,206,751</u>	<u>2,347,428</u>
Investments	<u>3,471,478</u>	<u>2,858,118</u>
Other Assets		
Mortgage Acquisition Costs, Net of Accumulated Amortization	2,820	3,910
Deposits	<u>15,655</u>	<u>2,000</u>
	<u>18,475</u>	<u>5,910</u>
Total Assets	<u>\$ 7,352,995</u>	<u>\$ 6,027,928</u>
Liabilities and Net Assets		
Current Liabilities		
Accounts Payable and Accrued Expenses	\$ 324,622	\$ 312,254
Deferred Compensation Plan Obligation	50,990	46,760
Current Portion of Long-Term Debt	30,000	30,000
Current Portion of Obligation Under Capital Lease	<u>-</u>	<u>1,539</u>
Total Current Liabilities	<u>405,612</u>	<u>390,553</u>
Long-Term Liabilities		
Long-Term Debt, Net of Current Portion	120,000	150,000
Long-Term Deferred Compensation Plan, Net of Current Portion	595,043	646,036
Security Deposit Payable	<u>12,500</u>	<u>12,500</u>
Total Liabilities	<u>1,133,155</u>	<u>1,199,089</u>
Contingencies		
Net Assets		
Unrestricted	4,835,993	4,334,463
Temporarily Restricted	1,257,409	367,938
Permanently Restricted	<u>126,438</u>	<u>126,438</u>
Total Net Assets	<u>6,219,840</u>	<u>4,828,839</u>
Total Liabilities and Net Assets	<u>\$ 7,352,995</u>	<u>\$ 6,027,928</u>

The accompanying notes are an integral part of these financial statements .

BRIDGE OVER TROUBLED WATERS, INC.

Statement of Activities

Year ended June 30, 2011
 (with comparative totals for 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
Support and Revenue					
Grants and Contracts	\$ 1,032,054	\$ -	\$ -	\$ 1,032,054	\$ 995,173
Contributions	1,503,135	1,510,174	-	3,013,309	1,697,319
Rental Income	97,695	-	-	97,695	108,116
Interest Income	79,580	13,363	-	92,943	91,498
Donated Services	151,412	-	-	151,412	129,900
Other Revenue	47,632	-	-	47,632	30,813
Net Realized and Unrealized Gains/ (Losses) on Investments	249,980	(7,534)	-	242,446	114,523
Net Assets Released From Restrictions Used for Operations	626,532	(626,532)	-	-	-
Total Support and Revenue	3,788,020	889,471	-	4,677,491	3,167,342
Expenses					
Salaries and Wages	1,635,564	-	-	1,635,564	1,720,827
Employee Benefits	451,115	-	-	451,115	371,165
Professional Fees	510,653	-	-	510,653	410,217
Occupancy	237,876	-	-	237,876	207,144
Transportation	74,513	-	-	74,512	72,264
Supplies and Expenses	184,575	-	-	184,576	180,326
Interest	37,427	-	-	37,427	43,213
Depreciation and Amortization	154,767	-	-	154,767	161,850
Total Expenses	3,286,490	-	-	3,286,490	3,167,006
Change in Net Assets	501,530	889,471	-	1,391,001	336
Net Assets, Beginning of Year	4,334,463	367,938	126,438	4,828,839	4,828,503
Net Assets, End of Year	\$ 4,835,993	\$ 1,257,409	\$ 126,438	\$ 6,219,840	\$ 4,828,839

The accompanying notes are an integral part of these financial statements .

BRIDGE OVER TROUBLED WATERS, INC.

Statement of Functional Expenses

Year ended June 30, 2011

(with comparative totals for 2010)

	Program Services							
	Youth Prevention	Counseling	Healthcare	Transitional Day Program	Educational/ Vocational	Residential Program	Residential Apartments	Single Parent Program
Salaries and Wages	\$ 207,719	\$ 81,455	\$ 44,163	\$ 58,289	\$ 252,175	\$ 322,082	\$ 34,130	\$ 165,745
Employee Benefits	54,721	28,181	12,610	29,432	65,981	84,758	9,976	46,149
Professional Fees	11,234	12,161	151,774	978	64,581	7,934	3,564	3,784
Occupancy	3,701	28,175	11,236	32,275	28,128	31,866	7,488	21,938
Transportation	42,512	677	84	2,929	4,497	6,680	-	6,610
Supplies and Expenses	3,838	11,080	9,723	28,334	24,017	13,840	1,894	15,991
Interest Expense	283	2,098	836	2,908	2,459	180	-	-
Total Expenses Before Depreciation and Amortization	324,008	163,827	230,426	155,145	441,838	467,340	57,052	260,217
Depreciation and Amortization	3,132	19,896	10,716	22,404	23,160	18,000	13,080	13,080
Total Expenses	\$ 327,140	\$ 183,723	\$ 241,142	\$ 177,549	\$ 464,998	\$ 485,340	\$ 70,132	\$ 273,297

The accompanying notes are an integral part of these financial statements.

BRIDGE OVER TROUBLED WATERS, INC.

Statement of Functional Expenses - Continued

Year ended June 30, 2011
(with comparative totals for 2010)

	Program Services			Support Services		
	West Street	Program Service	Management and General	Fundraising	Support Service	2010 Total
		Total			Total	
Salaries and Wages	\$ -	\$ 1,165,758	\$ 225,084	\$ 244,722	\$ 469,806	\$ 1,720,827
Employee Benefits	-	331,808	72,338	46,969	119,307	371,166
Professional Fees	-	256,010	75,693	178,950	254,643	410,217
Occupancy	32,308	197,115	32,368	8,393	40,761	207,143
Transportation	-	63,989	10,289	235	10,524	72,264
Supplies and Expenses	1,680	110,397	20,772	53,406	74,178	180,326
Interest Expense	231	8,995	27,789	643	28,432	43,213
Total Expenses Before Depreciation and Amortization	34,219	2,134,072	464,333	533,318	997,651	3,005,156
Depreciation and Amortization	5,640	129,108	19,839	5,820	25,659	161,850
Total Expenses	\$ 39,859	\$ 2,263,180	\$ 484,172	\$ 539,138	\$ 1,023,310	\$ 3,167,006

The accompanying notes are an integral part of these financial statements.

BRIDGE OVER TROUBLED WATERS, INC.

Statement of Cash Flows

Year ended June 30, 2011
(with comparative totals for 2010)

	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 1,391,001	\$ 336
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Depreciation and Amortization	154,767	161,850
Restricted Contributions, net	(889,471)	(550,444)
Net Realized and Unrealized Losses (Gains) on Investments	(242,446)	(114,523)
(Increase) Decrease in Asset Accounts Affecting Cash From Operations		
Accounts Receivable	(15,738)	158,411
Unconditional Promises to Give	(38,716)	-
Prepaid Expenses and Other Current Assets	(3,612)	31,115
Increase (Decrease) in Liability Accounts Affecting Cash From Operations		
Accounts Payable and Accrued Expenses	12,368	22,613
Net Cash Provided by (Used in) Operating Activities	<u>368,153</u>	<u>(290,642)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(3,497,224)	(967,143)
Proceeds From Sale of Investments	3,099,000	1,079,127
Purchase of Property and Equipment	(13,000)	-
Receipt of Deposits	13,655	5,000
Net Cash Provided by (Used in) Investing Activities	<u>(397,569)</u>	<u>116,984</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Restricted Contributions, net	889,471	550,444
Principal Payments on Long-Term Debt	(30,000)	(30,000)
Principal Payments on Capital Lease Obligations	(1,539)	(5,914)
Principal Payments on Deferred Compensation Obligation	(46,763)	(42,783)
Net Cash Provided by Financing Activities	<u>811,169</u>	<u>471,747</u>
Net Increase (Decrease) in Cash and Cash Equivalents	781,753	298,089
Cash and Cash Equivalents, Beginning of Year	<u>558,292</u>	<u>260,203</u>
Cash and Cash Equivalents, End of Year	<u>\$ 1,340,045</u>	<u>\$ 558,292</u>
Supplemental Disclosure:		
Cash Paid During the Year for Interest	<u>\$ 37,428</u>	<u>\$ 43,213</u>
Non-Cash Restricted Contributions Received	<u>\$ 151,412</u>	<u>\$ 129,900</u>

The accompanying notes are an integral part of these financial statements.

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2011

NOTE 1 - ORGANIZATION

Bridge Over Troubled Waters, Inc. (the "Organization" or "Bridge") was incorporated as a not-for-profit corporation in 1970 and is located in Boston, Massachusetts. The Organization provides a wide range of services to runaways and homeless youth and other alienated adolescents in order to stimulate their own resources to survive and succeed. Bridge's primary sources of revenue are grants, purchase of service contracts and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Financial Statement Presentation

The Organization is required by accounting principles generally accepted in the United States of America to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted net assets represent the portion of the net assets of the Organization that is neither permanently nor temporarily restricted by donor-imposed stipulations. A portion of the unrestricted net assets attributable to revenue received from Commonwealth of Massachusetts purchasing agencies has been determined to be deficit revenue in accordance with Commonwealth of Massachusetts regulations (see Note 10).

Temporarily restricted net assets represent those assets whose use by the Organization has been limited by donors or grantors to a specific time period or purpose (see Note 15).

Permanently restricted net assets consist of endowment funds that have been restricted by donors to be maintained in perpetuity. Income earned on such funds is unrestricted or temporarily restricted based on donor stipulations (see Notes 16 and 18).

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2010, from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

An allowance for doubtful accounts is recorded, when necessary, to report accounts receivable at their net realizable value. Estimates for doubtful accounts are based on past collection experience together with a review of the current status of the existing receivables (see Note 3).

Property and Equipment

Property and equipment are recorded at cost on the date of acquisition or at fair market value, if received by donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Capital lease assets are recorded at the next present value of future minimum lease payments. Depreciation of property and equipment is computed on the straight-line basis over the estimated useful lives of the assets.

Long-lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of the asset may not be recoverable. Long-lived assets to be disposed of are recorded at the lower of the carrying amount or fair value, less cost to sell.

Investments

In accordance with the requirements of accounting principles generally accepted in the United States of America, investments in equity securities with readily determinable fair values and all investments in debt securities are reported at market value in the Statement of Financial Position. Investments in equity securities, which do not have readily determinable fair values, are recorded at cost. Both realized gains and losses on the sale or other disposition of investments are determined on the cost basis.

Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Financial Position.

Fair Value of Financial Instruments

The Organization determines the fair value of financial instruments and includes this information in the notes to the financial statements when the fair value is materially different from the carrying value of those financial instruments.

Mortgage Acquisition Costs

Costs incurred in connection with securing the Organization's real property mortgage obligations are being amortized over the term of the related mortgage loan.

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Contract and Grant Revenue

The Organization derives revenues through contracts and grants received through the Commonwealth of Massachusetts Department of Public Health, the United States Department of Health and Human Services, Housing and Urban Development and Labor. Accordingly, the Organization is subject to the regulations and reporting requirements of the applicable governmental agencies. Contract and grant revenue are recorded in accordance with the provisions of the applicable award amounts.

Contributions

Contributions received, including pledges, are recorded as revenues in the period received at their fair values. Gifts of cash or other support are reported as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor restricted contributions whose restrictions are met in the same operating period are presented as unrestricted support. Contributions in the form of property are recorded at the fair market value on the date the property is received. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when donated assets or acquired long-lived assets are placed in service.

Unconditional promises to give that are expected to be collected within one (1) year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue.

Function Allocation of Expenses

The cost of providing the various programs of the Organization have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Subsequent Events

Under generally accepted accounting principles, the Organization evaluates events that occur after the date of the Statement of Financial Position but before the date the financial statements are available to be issued. Such date was November 6, 2011 for the accompanying financial statements. The Organization did not identify any subsequent events that had a material effect on the accompanying financial statements.

Income Tax Status

The Organization is exempt from federal and state income taxes pursuant to Section 501©(3) of the Internal Revenue Code and, accordingly, no provisions for income taxes has been made in the accompanying financial statements. The Organization is classified as a public charity.

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2011

NOTE 3 - CONCENTRATION OF CREDIT RISK

The Organization provides the majority of its services through provider agreements with various agencies of the Commonwealth of Massachusetts and Department of Health and Human Services and Housing and Urban Development of the United States. Accordingly, these parties represent the majority of the Organization's accounts receivable balances at June 30, 2011 as follows:

	Amount	%
Commonwealth of Massachusetts:		
Department of Public Health	\$ 25,385	19%
Department of Education	22,768	17%
Mass Behavioral Health Partnership	4,003	3%
United States Department of:		
Health and Human Services	64,777	49%
City of Boston:		
Economic Development Industrial Corp.	15,908	12%
	<u>\$ 132,841</u>	<u>100%</u>

Management monitors and evaluates the receivables to ensure they are stated at their net realizable value. Management believes that the remaining balances from both private and public payors do not represent any concentration of credit risk to the Organization and, therefore, has not recorded an estimated allowance for uncollectible amounts.

NOTE 4 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give totaled \$134,116 at June 30, 2011 and are expected to be collected as follows:

During the year ended June 30, 2012	\$ 97,116
During the year ended June 30, 2013	37,000
Total	<u>\$ 134,116</u>

NOTE 5 - INVESTMENTS

Investments consisted of the following at June 30, 2011:

U.S. Government securities	\$ 2,437,440
Marketable equity securities	849,085
Cash equivalents	184,953
	<u>\$ 3,471,478</u>

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2011

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2011:

Land	\$	441,500
Buildings		2,290,718
Building improvements		1,920,792
Furniture, fixtures and equipment		378,551
Vehicles		112,169
Software		253,173
		<u>5,396,903</u>
Less accumulated depreciation and amortization		<u>3,190,152</u>
	\$	<u>2,206,751</u>

NOTE 7 - CONTRIBUTED SERVICES

The Organization recognizes contribution revenue for certain services received at the fair value of those services. During the year ended June 30, 2011, the Organization received clinical services from physicians, dentists and nurses for use in its programs. The fair value of such contributed services approximated \$ 151,412 for the year ended June 30, 2011 and is included in donated services on the statement of activities.

NOTE 8 - LINE OF CREDIT

The Organization has a \$200,000 line of credit agreement with Wainwright Bank. Borrowings under this agreement are due on demand, and interest is payable monthly at the Bank's prime rate. The line of credit is secured by all of the Organization's personal property and is subject to renewal by the bank on September 1, 2012. There were no borrowings outstanding at June 30, 2011.

NOTE 9 - LONG-TERM DEBT

The Organization is obligated under a bank mortgage note agreement. The agreement requires monthly principal payments of \$2,500, plus interest (6.32%), through June 1, 2016. The loan is secured by real estate and an assignment of rents and leases.

Aggregate annual maturities of long-term debt are as follows:

Year ending June 30:

2012	30,000
2013	30,000
2014	30,000
2015	30,000
2016	30,000
	<u>150,000</u>
Less current portion	<u>30,000</u>
Total	<u>\$ 120,000</u>

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2011

NOTE 10 - SURPLUS REVENUE RETENTION

The Operational Services Division of the Commonwealth of Massachusetts (the "Commonwealth") has promulgated regulations requiring that all not-for-profit entities engaged in the provision of human and social service programs by contract with state agencies be subject to a revenue retention policy. Under this policy, any surplus generated from contracts with the Commonwealth which exceeds five percent (5%) of the current year's Commonwealth revenues or twenty percent (20%) of cumulative Commonwealth revenues becomes a liability to the Commonwealth. Additionally, the Commonwealth requires that providers take steps to segregate state attributed surpluses, which fall below five percent (5%) as a segregated account within its unrestricted net assets. Under the applicable provisions of state regulations, the following is a summary of the surpluses attributed to Commonwealth revenues:

	<u>Amount Generated</u>	<u>Amount Allowed</u>
Surplus (loss) for the year ended June 30, 2011	<u>\$ (56,550)</u>	<u>\$ 19,086</u>
Accumulated surplus (deficit) as of June 30, 2011	<u>\$ (2,064,331)</u>	<u>\$ 61,266</u>

NOTE 11 - RENTAL INCOME

The Organization leases commercial space to a local business at its West Street, Boston location under an operating lease agreement which expires in June 2013. In addition, the lessee is obligated to pay the Organization for certain operating expenses related to the space. Total rental income under the lease was \$72,000 for the year ended June 30, 2011.

The following is a schedule of future minimum rental income on the non-cancelable lease agreement, which has a remaining term in excess of one (1) year as of June 30, 2011.

2012	84,000
2013	<u>84,000</u>
	<u>\$ 168,000</u>

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2011

NOTE 12 - OPERATING LEASES

The Organization leases office equipment and a vehicle under various operating leases expiring through January, 2013, with monthly payments between \$160 and \$584. Rent expense totaled \$22,819 for the year ended June 30, 2011.

The following is a schedule of future minimum rental payments on cancelable lease agreements, which have remaining terms in excess of one year as of June 30, 2011:

2012	\$	10,488
2013	\$	8,280

NOTE 13 - RETIREMENT PLAN

The Organization maintains a defined contribution pension plan for substantially all employees with eligibility based on length of service. The Organization's contributions to the plan are determined annually based on a vote of the Board of Directors. For the year ended June 30, 2011, the Organization contributed \$50,000 to the plan.

NOTE 14 - DEFERRED COMPENSATION PLAN

The Organization maintains agreements with two founders of the Organization to provide them with annual retirement benefit payments and a deed for a life estate as joint tenants in a property owned by the Organization. Upon one of the founders predeceasing the other, all payments are then obligated to be paid to the surviving founder. The payments may be adjusted on January 1 of each year for the increase in the consumer price index plus a two percent (2%) cost of living adjustment. All expenses of the property are paid by the Organization, and the two (2) founders are obligated to pay the Organization the fair market value of the local annual rental costs (determined to be \$18,000 for the year ended June 30, 2011). Total payments made under the agreements were \$72,995 for the year ended June 30, 2011. The net present value of the deferred compensation plan was \$646,033 as of June 30, 2011.

NOTE 15 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets at June 30, 2011 were available to be used for the following purposes:

Administrative	\$	25,200
Youth Prevention		9,634
Counseling		3,158
Healthcare		36,236
Education program		101,540
Transitional Day Program		186,995
Medical van replacement		197,576
Emergency shelter		697,070
		<hr/>
	\$	1,257,409

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2011

NOTE 16 - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2011 were restricted to:

Investments to be held in perpetuity, the income from which is available for medical van replacement	126,438
	\$ 126,438

NOTE 17 - FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. They also establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2 Quoted prices in the market that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The following table presents assets that are measured at fair value on a recurring basis at June 30, 2011:

	Total 2011	Level 1	Level 2	Level 3
Assets:				
Investments	\$3,471,478	\$ 3,471,478	\$ -	-

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2011

NOTE 18 - ENDOWMENT FUNDS

The Organization's endowment consists of funds that have been restricted by donors to be maintained in perpetuity. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law Regarding Net Asset Classification and Appropriation

Based on a Massachusetts Attorney General Position Statement on SFAS No. 117, issued in June 1995, and the Uniform Prudent Management of Institutional Funds Act that was signed into law in Massachusetts ("MA UPMIFA") with an effective date of June 30, 2009, management has interpreted relevant Massachusetts law as requiring the preservation of the fair value of the original gift as of the gift date ("historic dollar value") of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Organization classifies as permanently restricted net assets the historic dollar value of gifts donated to the permanent endowment. Any unspent endowment gains are classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by Massachusetts law at which time the gains are reclassified to unrestricted net assets.

Subject to the intent of the donor expressed in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Organization. In making a determination to appropriate or accumulate, the Organization considers the following factors:

1. the duration and preservation of the endowment fund;
2. the purposes of the Organization and the donor-restricted endowment fund;
3. general economic conditions;
4. the possible effect of inflation or deflation;
5. the expected total return from income and the appreciation of investments;
6. other resources of the Organization; and
7. the investment policy of the Organization

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or MA UPMIFA requires the Organization to retain as a fund of perpetual duration. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are to be reported in unrestricted net assets. There were no such losses as of June 30, 2010.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and activities supported by its endowment. Under this approach, the endowment assets are invested in a manner that is intended to produce an optimum level of return that equals or exceeds relevant benchmarks while assuming a moderate level of investment risk. Actual returns in any given year may vary from this amount.

BRIDGE OVER TROUBLED WATERS, INC

Notes to Financial Statements

June 30, 2011

NOTE 18 - ENDOWMENT FUNDS - Continued

Strategies Employed for Achieving Objectives

To satisfy its objectives, the Organization relies on a low risk strategy of investing its endowment funds in cash and mutual funds.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization's investment and spending policies have been designed to limit the exposure of the endowment assets while providing for growth through new gifts and investment return.

The following is a reconciliation of the beginning and ending balance of the Organization's endowment in total and by net asset class:

	Temporarily Restricted	2011 Permanently Restricted	Total
Endowment, beginning of year	\$ 195,495	\$ 126,438	\$ 321,933
Investment return:			
Investment income	2,081	-	2,081
Net depreciation - realized and unrealized losses	-	-	-
Total investment return	2,081	-	2,081
Endowment, end of year	<u>\$ 197,576</u>	<u>\$ 126,438</u>	<u>\$ 324,014</u>

NOTE 19 - CONTINGENCIES

The human service industry is subject to numerous laws and regulations of federal, state and local governments. Recently, government activity has increased with respect to investigations and allegations concerning possible violations by human service providers of fraud and abuse statutes and regulations, which could result in the imposition of significant fines and penalties, as well as significant repayments for services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretations, as well as regulatory actions unknown or unasserted at this time. Management believes that the Organization is in substantial compliance with current laws and regulations.

In the normal course of operations, the Organization if, from time to time, the respondent in various legal actions brought against them. Management believes that such actions will not have a material effect on the Organization or its financial condition.